

Office of the City Treasurer  
Honorable Stephanie D. Neely, Treasurer  
Budget Hearing Testimony  
Committee on Budget and Government Operations  
City Council Chambers  
October 17, 2012

Exhibit 1

### Opening Remarks:

Good morning Madame Chair Austin and members of the Committee on Budget and Government Operations. Once again it is an honor to sit here before you today to present what is now my sixth budget address as Treasurer of the City of Chicago. As an important profit center for the City, I understand the essential role our Office plays, and we are always looking for ways to streamline operations and deliver more value and greater investment returns to our City's taxpayers.

I truly believe that with 23 employees and a total budget of 2.2 million dollars, my Office provides an amazing return-on-investment for the citizens of Chicago, and I hope to demonstrate that to you today. On that note, I would like to acknowledge my staff here today and in particular: my Deputy Treasurer Tom Latzke, Chief of Staff Reyahd Kazmi, and Chief of Policy, Kant Desai.

As a refresher for any of you who need it, the primary mission of the City Treasurer's Office is to manage the City's cash flows and investment portfolios while adhering to our investment objectives: first, ensuring the safety of principal, second, maintaining adequate liquidity, third, maximizing investment returns, and fourth, utilizing investments to promote economic development throughout the City of Chicago.

My Office manages investment portfolios totaling approximately 8 billion dollars made up of operating funds, reserve accounts, bond proceed funds, assets belonging to the Board of Education, and small cash positions for some of the City's pension funds. As we all are well aware, these are trying and delicate times for everyone involved in the capital markets. If it isn't a story out of Europe that spooks the markets, it is another scandal perpetrated by yet another financial institution. However, despite the uneasy past few years, my Office continues to earn above-benchmark returns for the City of Chicago. We generated approximately 54 million dollars in earnings in 2011 and approximately 51 million dollars to date in 2012. In a HISTORICALLY LOW interest rate environment, my office has STILL managed to earn approximately 758 million dollars in investment returns in the six years that I've been Treasurer.

Due to the changes I made last year to the Municipal Code's investment policy, the City has been able to earn higher returns with the added bonus of diversification. I greatly appreciate the added flexibility that City Council granted us last year so that we could properly adapt to a changing market. I will continue to prudently fight and claw for every extra penny that my Office can earn for the City and its taxpayers.

The City Treasurer's Office is also committed to executing trades through women-, minority-, veteran and disabled-owned broker-dealers with offices located in Chicago. We currently utilize an approved list of 20 firms and I am very proud to say that we have consistently executed over 60% of our trades with Women, Minority, and Disabled Veteran Business Enterprise firms on this list.

My Office has one of the main financial reporting/accounting divisions in the City. Among other functions, this division currently manages and reconciles approximately 100 bank accounts on at least a monthly basis, produces City-wide financial reports, handles compliance, and monitors banking fees and relationships. As we negotiate on behalf of taxpayers, our Office aggressively continues to monitor banking fees, and hold our banking partners to the highest standard. In fact, the Treasurer's Office has been able to reduce banking fees by close to 1 million dollars over each of the past two years by taking advantage of certain Federal banking provisions.

Last year, I mentioned that my Office was working with DoIT to replace our 30-year-old mainframe accounting system, which has long outlived its useful life. This project is a joint venture between my Office, DoIT, many other City departments, and outside consultants. It is clear that many of the business processes in place were created as "band-aids" to work within the constraints of the old mainframe system. I am viewing this as an opportunity to not only upgrade technology, but also reassess and streamline overall processes. Due to some unforeseen complexities, our hope is that by Spring of next year, we will have these new systems up and running.

During the past three years, I had the distinct pleasure to announce to you that my Office received a clean audit opinion. Well, here we are again, and I would like to announce our fourth consecutive clean audit opinion! In the opinion of the City's auditor, Deloitte & Touche, the City Treasurer's Office has fully complied with all GASB accounting standards and successfully implemented industry-wide best practices. This string of clean audits is unprecedented for the City Treasurer's Office in recent history, and is truly a testament to the great work my Office has done on a lean budget.

In addition to various investment and accounting functions, my Office is tasked with using our unique resources for economic development in Chicago. My Office focuses on three major areas of Economic Development: (1) Asset Building, (2) Financial Education, and (3) Small Business Entrepreneur Support. Asset building strategies give individuals the tools to increase savings which helps to prevent bankruptcy and increase financial security. Financial education teaches individuals to manage their assets and plan for the financial future. My Office's dedication to small business entrepreneurs stems from the fact that they are the number one source of employment in the U.S. and an essential pathway out of poverty for so many. These programs grow Chicago's economy at the neighborhood and individual level.

One of our most successful Asset Building strategies is Bank On Chicago. Almost 13% of Chicagoans are "un-banked" and another 22% are "under-banked" which means that they have a checking account but use things like Payday Loans and check cashers. Bank On Chicago is an initiative to move those folks into the financial mainstream but offer safe, reliable and low-cost checking accounts. In the first year of the program over 5,500 accounts were opened and we will actively expand the program in the next year to reach more people.

As we seek to reduce the reliance on alternative financial services, we recognize that many people have a genuine need for short term emergency credit. But as many of you know, many Chicagoans have fallen into a vicious cycle of debt because they used a Payday Lender with interest rates near 400% to meet their needs. That's why, beginning in 2013, we will partner with two community banks to offer a safe, reliable and affordable alternative to payday lending. It gives people more time to repay the loan (90 days) and caps the interest rate at 36%.

Teaching children about the importance of making smart decisions with money can never start too early. For the past four years we have partnered with Chicago Public Schools and Money Savvy Generation to bring financial education to over 240,000 students. This year, our program was in 102 elementary schools across the city and we plan to increase the number next year due to high demand.

Earlier this month, we had our 11<sup>th</sup> annual FREE Small Business Entrepreneur Expo. This year's Expo was our biggest and best yet as it drew over 3,100 people, had over 130 exhibitors, and 30 workshops.

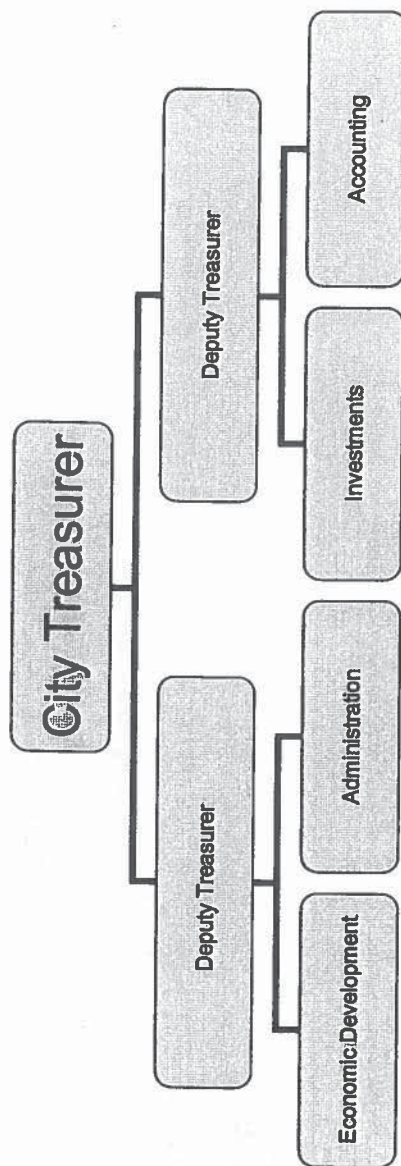
Every business person knows that to be successful you not only need a good plan and dedication, but also need access to credit. Many small businesses need an initial level of credit that is too small for mainstream banks. With our Small Business Development Loan Fund, we established revolving loan funds with 6

community lenders that provide access to loans between 2,500 and 50,000 dollars. To date, just over 2 million dollars in loans have been disbursed to 139 new and growing small businesses in just 2 years. The program has been wildly successful creating nearly 200 new jobs and we know with additional funding it will continue its success.

My goals with the Expo, and all of our small business entrepreneur programs is to ensure that small businesses are aware of and have the resources available to them to get their businesses **STARTED, SUSTAINABLE, and SUCCESSFUL.**

I believe with these diverse programs, my Office has the greatest possible impact on the community using our unique limited resources. We are always sharing ideas with other municipalities, which allows us to stay up-to-date on new ideas and programs. It's these ideas that eventually become the small dollar loan programs of tomorrow. I believe in my Office, and just as importantly, I believe in our mission. As I look across the chambers, I have worked with many of you in your wards on a variety of programs that I have discussed today. To those of you whom I have not, my door is always open.

Thank you Madame Chair Austin and members of the Committee on Budget and Government Operations.





**CITY TREASURER'S OFFICE  
STAFF GENDER/ETHNICITY STATISTICS**

**Office-wide Totals :**

JOB TITLE	RACE/ETHNICITY				
	MALE		FEMALE		
	WHITE	HISPANIC	ASIAN	AFRICAN-AMERICAN	
CITY TREASURER					1
DEPUTY CITY TREASURER	1		1		2
DIRECTOR OF ACCOUNTING			1		1
DIRECTOR OF PUBLIC AFFAIRS					1
ASST. CITY TREASURER	1		2	1	5
ASST. DIRECTOR OF FINANCE					1
ASST. TO CITY TREASURER				1	2
ACCOUNTANT I				1	1
ACCOUNTANT II					1
ACCOUNTANT III				1	1
ACCOUNTANT IV				1	2
AUDITOR IV	1				1
EXECUTIVE SECRETARY II					1
EXECUTIVE SECRETARY I				1	1
PORTFOLIO MANAGER	1	1			2
STAFF ASSISTANT			1		1
TOTAL # OF EMPLOYEES	4	1	3	4	23
TOTAL % OF EMPLOYEES	17.4%	4.3%	13.0%	17.4%	100.0%
<b>12 Employees</b>					<b>52.2%</b>

COMBINED ETHNICITY TOTALS		
	NUMBER	PCNT.
WHITE	5	21.7%
HISPANIC	6	26.1%
ASIAN	5	21.7%
AFRICAN-AMERICAN	7	30.4%
TOTAL	23	100.0%

**Management Staff Totals (detail is shaded area above):**

	RACE/ETHNICITY				
	MALE		FEMALE		
	WHITE	HISPANIC	ASIAN	AFRICAN-AMERICAN	
TOTAL # OF EMPLOYEES	2	0	3	2	13
TOTAL % OF EMPLOYEES	15.4%	0.0%	23.1%	15.4%	100.0%
<b>7 Employees</b>					<b>53.8%</b>
<b>6 Employees</b>					<b>46.2%</b>

COMBINED MANAGEMENT ETHNICITY TOTALS		
	NO.	PCNT.
WHITE	3	23.1%
HISPANIC	3	23.1%
ASIAN	3	23.1%
AFRICAN-AMERICAN	4	30.8%
TOTAL	13	100.0%

# CTO TRADE VOLUME REPORT

	2010		2011		2012*	
	Dollars (\$)	Pcnt. (%)	Dollars (\$)	Pcnt. (%)	Dollars (\$)	Pcnt. (%)
<b>Entire Portfolio</b>						
Minority Totals:	\$ 4,496,415,670.80	60.3%	\$ 7,828,805,031.45	61.1%	\$ 4,231,151,700.85	59.0%
Non-Minority Totals:	\$ 2,954,226,853.93	39.7%	\$ 4,974,596,251.94	38.9%	\$ 2,943,231,006.21	41.0%
<b>Total:</b>	<u>\$ 7,450,642,524.73</u>	<u>100.0%</u>	<u>\$ 12,803,401,283.39</u>	<u>100.0%</u>	<u>\$ 7,174,382,707.06</u>	<u>100.0%</u>
<b>Minority Breakdown</b>						
African-American:	\$ 2,290,757,460.18	53.5%	\$ 4,416,503,166.77	56.4%	\$ 2,224,614,063.39	52.6%
Hispanic:	\$ 882,340,887.76	20.6%	\$ 1,091,410,318.84	13.9%	\$ 471,141,112.88	11.1%
Asian:	\$ 408,362,422.30	9.5%	\$ 989,184,002.47	12.6%	\$ 397,982,147.18	9.4%
Woman:	\$ 326,924,305.33	7.6%	\$ 803,299,683.01	10.3%	\$ 381,025,757.95	9.0%
Disabled Veteran:	\$ 373,849,324.06	8.7%	\$ 528,407,860.36	6.7%	\$ 756,388,619.45	17.9%
<b>Total:</b>	<u>\$ 4,282,234,399.63</u>	<u>100.0%</u>	<u>\$ 7,828,805,031.45</u>	<u>100.0%</u>	<u>\$ 4,231,151,700.85</u>	<u>100.0%</u>

\*2012 numbers reflective through Sep 30, 2012

# 2012 City Treasurer's Office Broker Dealer List

## Minority/Disabled Veteran Brokers

### Asian

- Andes Capital

### African American:

- CastleOak Securities
- Loop Capital
- MR Beal
- Rice Financial
- Williams Capital

### Hispanic

- Guzman & Co.
- Ramirez & Co.

### Disabled Veteran

- Drexel Hamilton
- Mischler Financial

### Women Owned

- Siebert & Co.

## Non-Minority Brokers

- Bank of America
- Barclays
- Bank of New York Mellon
- Citigroup Capital
- Jefferies
- Mesirow Financial
- RBC Dain Rauscher
- RBS Securities
- Wells Fargo